



**Türk Telekom Group**  
**2010 YE – Investor Presentation**

# Notice

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**Note:** *EBITDA is a non-GAAP financial measure. The EBITDA definition used in this presentation includes Revenues, Direct Cost of Revenues excluding depreciation and amortization, Selling and Marketing expenses, Administrative expenses, and other operating income/(expense), but excludes translation gain/(loss), financial income, income on unconsolidated subsidiaries, gain on sale of investments, and minority interest.*

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# MARKET UPDATE & CONSOLIDATED PERFORMANCE



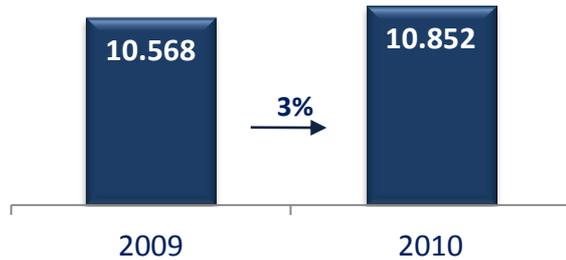
## *Successful Q4 in line with overall 2010 performance*

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- Fixed voice revenue stabilized around Q4 2009 levels
- ADSL revenue growth continues at double digit levels
- Profitability focus in Avea continues
- Expansion in international wholesale data with JADI Terrestrial Fiber Link and acquisition of Invitel Int. (rebranded as Pantel)
- Naked DSL in place with negligible impact
- Wholesale Line Rental is on Telecom Authority's agenda
- ***Guidance for 2011***
  - Consolidated Revenue: 5-7% Growth
  - Consolidated EBITDA: Low-to-mid 40%*s*
  - Consolidated CAPEX: Around TL 2bn

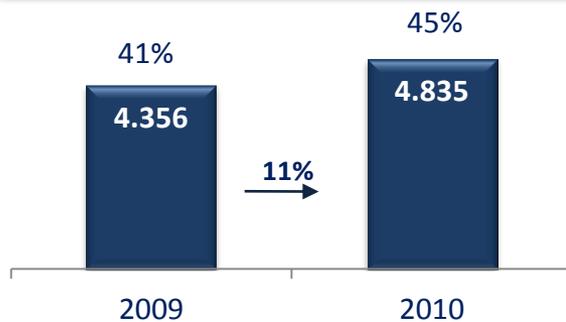
# Consolidated Performance

## Revenue (TL mn)



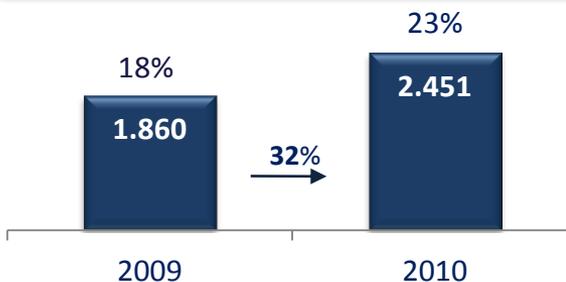
*Growth in the middle of the guidance range with Q4 YoY growth over 5%*

## EBITDA\* (TL mn)



*EBITDA margin at the top of the guidance range*

## Net Income\* (TL mn)



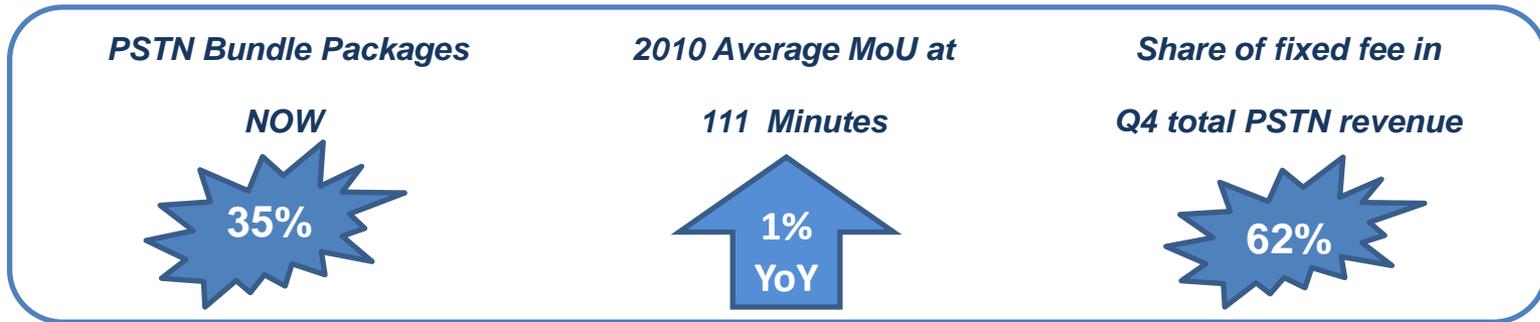
*Strong net income increase on the back of better operating performance*

\* Please see reclassification and accounting policy change note in appendix

## FIXED LINE BUSINESS PERFORMANCE



# Fixed Line Business – Voice & Convergence



- Bundle packages continue to support lower churn rate and higher MoU
- Negligible effect from Naked ADSL



# Fixed Line Business – ADSL

- ADSL2+ service introduced providing speeds up to 16 Mbps
- Inflation adjustments in unlimited packages and fair usage quota effective from January 2011
- Continuing up selling of customers up to 8 Mbps packages and unlimited offers
- Web TV –Tivibu, almost 750K subscribers
- IPTV soft-launch in Q4 2010 to be followed by commercial launch in Q1 2011

**TTNET up to 8 Mbps**

**Packages /**

**Subscriber base**

**>70%**

**TTNET Unlimited**

**packages /**

**Subscriber base**

**50%**

**December**

**Data usage now 15 GB**

**48%**

**YoY**

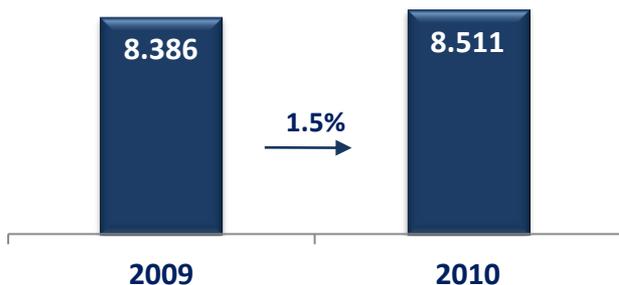
**tivibu**

**TTNET EVET!**



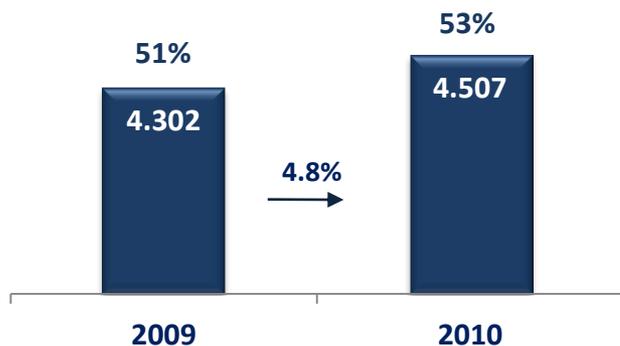
# Fixed Line Business – Revenue & EBITDA Highlights

## Revenue (TL mn)



*ADSL growth and stabilized PSTN revenue resulted in fixed line growth*

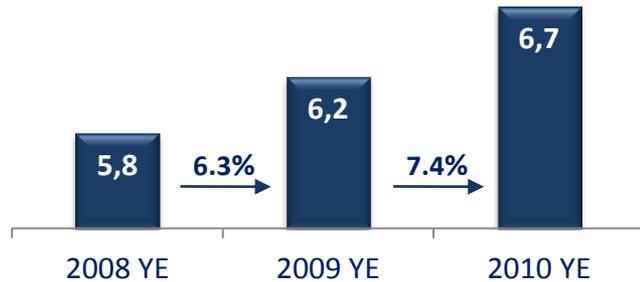
## EBITDA\* (TL mn)



*Strong OPEX control, lower interconnection expenses and improvement in collecting the receivables pushed EBITDA margin to 53%*

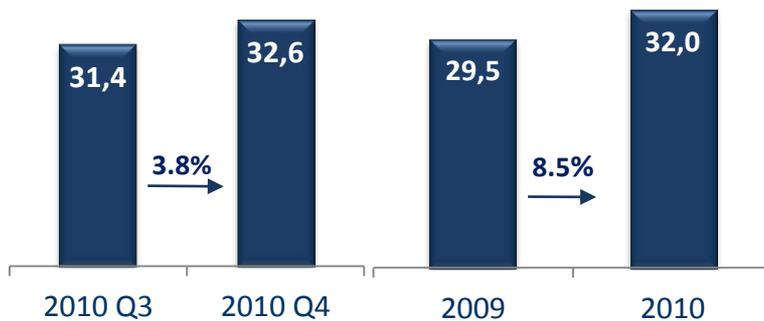
# Fixed Line Business – ADSL Highlights

## Wholesale ADSL Connections (millions)



*ADSL subs growth continues but household penetration is still low compared to Europe*

## ADSL ARPU (TL)\*

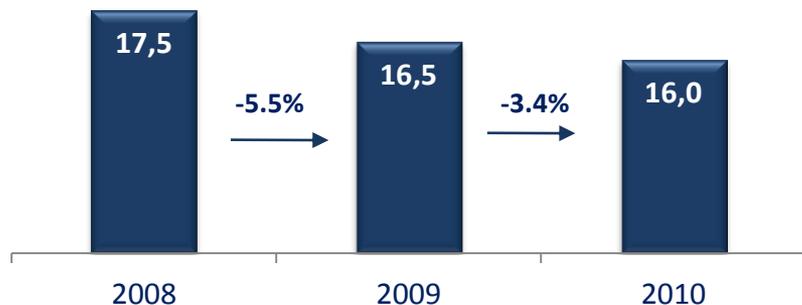


*All time high ARPU in 2010 Q4*

\* Revenue divided by average number of access lines/connections

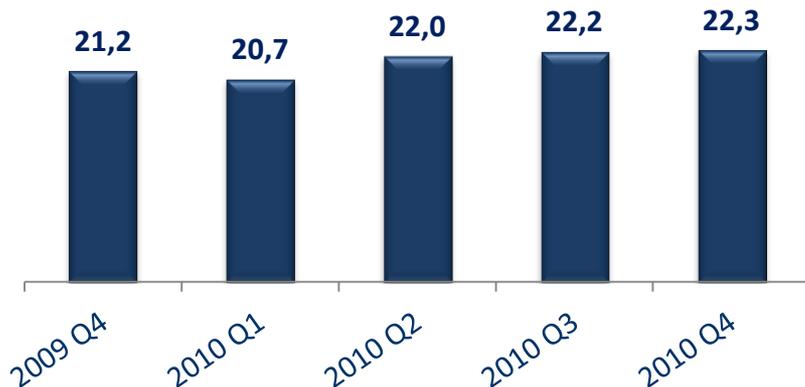
# Fixed Line Business – PSTN Highlights

# of PSTN Access Lines (millions)



*Lower subs decline as a result of bundle packages and mass campaigns*

PSTN ARPU (TL)\*

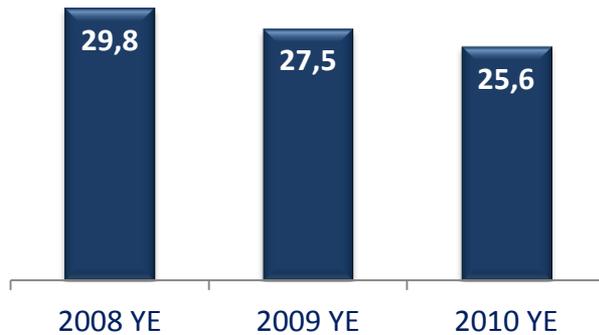


*ARPU remained over Q4 2009 level*

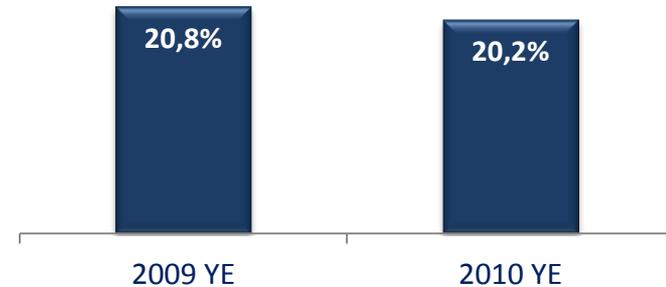
\* Revenue divided by average number of access lines/connections

# Fixed Line Business - Headcount

Number of Employees (thousands)\*



Personnel Cost as a % of Revenue



- *Personnel cost remained at 20% of revenue*
- *Access lines per employee is 624 at 2010 YE compared to 600 at 2009 YE*

\* Fixed network operating unit

## MOBILE BUSINESS PERFORMANCE



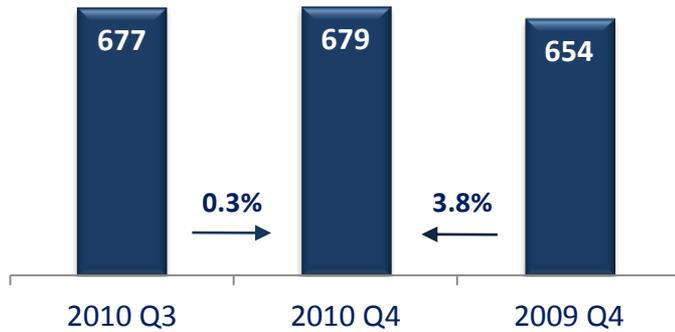
# Mobile Business

- Updated tariff portfolio for better targeting SME, institutional segments and postpaid mass
- The channel transformation is underway to support higher market share
- Device campaigns with Nokia and Blackberry positively contributed to increased share of device sales
- TTNET Mobile has been launched in Q4
- End to end customer centric processes launched to improve customer experience
- Partnerships with various retailers & banks increased customer experience and loyalty via offering non-GSM benefits
- International innovation project “Mobile Health Inspection Kit” developed by Avea and UCLA (University of California at Los Angeles)

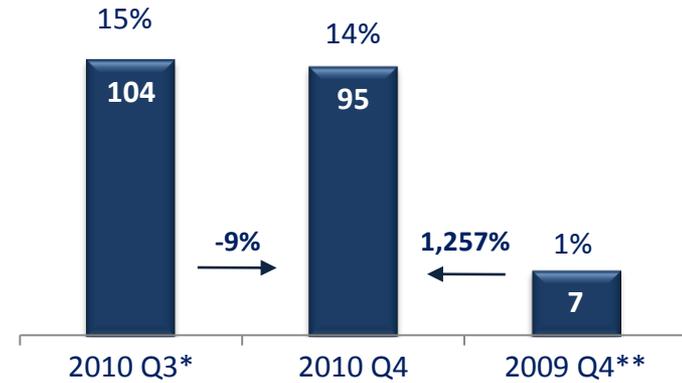


# Mobile Business – Revenue & EBITDA Highlights

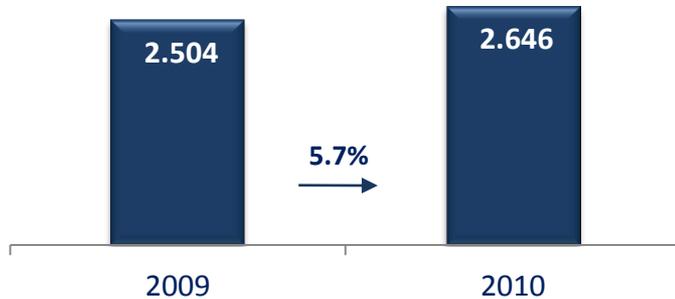
Revenue (TL mn)



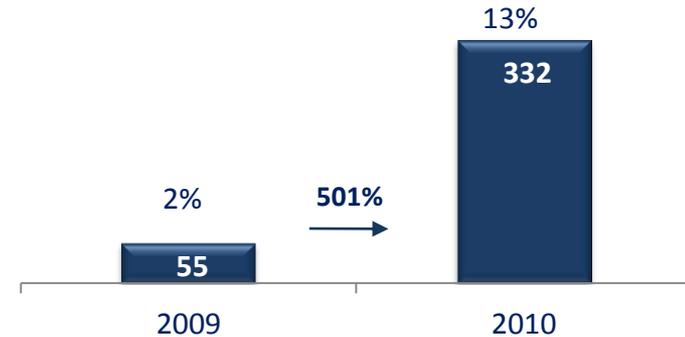
EBITDA (TL mn)



Revenue (TL mn)



EBITDA (TL mn)



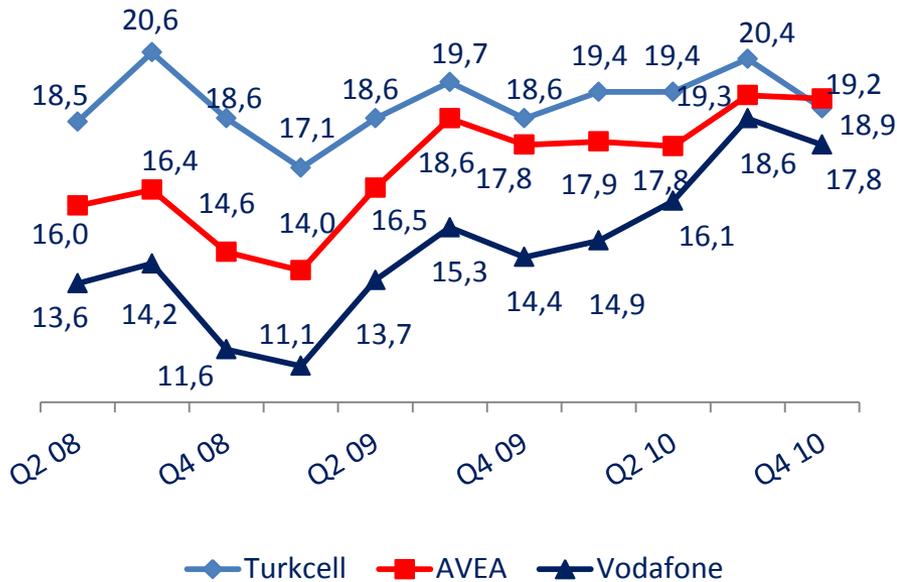
➤ **Revenue increase achieved with strong EBITDA improvement**

\* Q3 reported EBITDA is 19% including the reversal of roaming related tax penalty provision of TL 26.1.

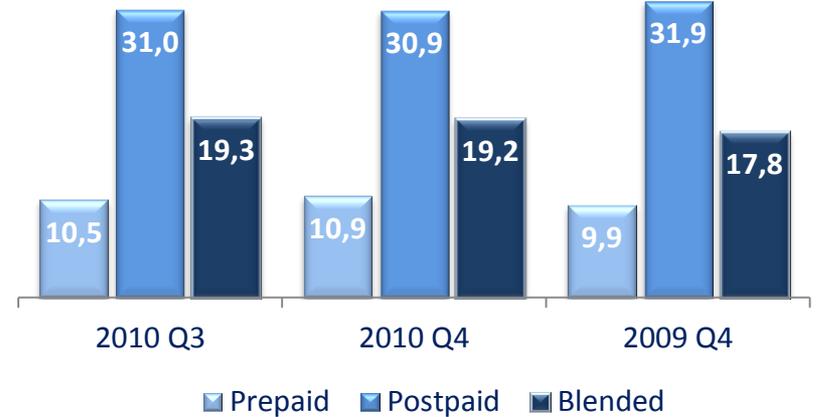
\*\* Q4 2009 adjusted EBITDA figure does not include roaming VAT penalty provision of TL 18.6 mn.

# Mobile Business – ARPU Highlights

Market Blended ARPU Trend (TL)



AVEA Quarterly ARPU (TL)



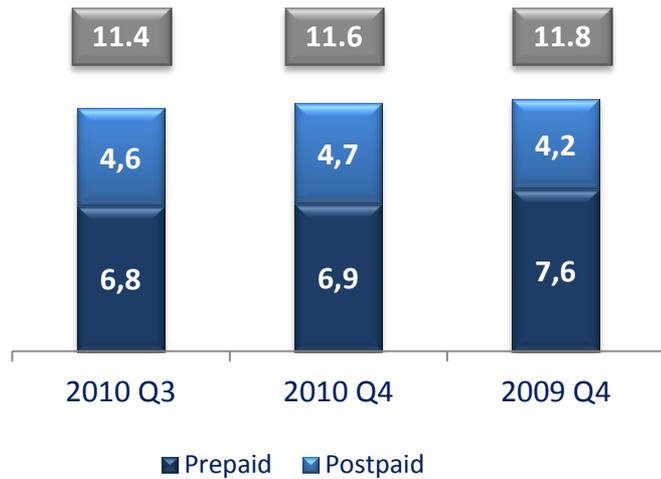
AVEA Annual ARPU (TL)



*All-time-high annual ARPU as a result of increase in prepaid ARPU and increasing share of postpaid subscribers*

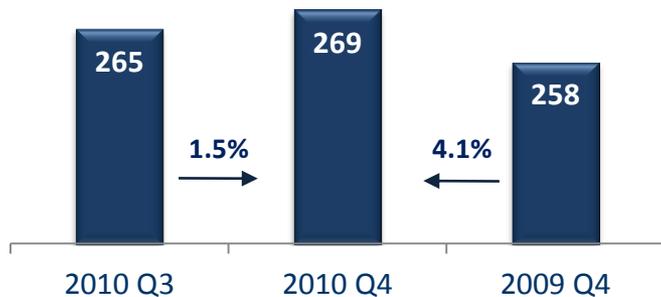
# Mobile Business - Subscriber Composition & MoU

## Subscriber Composition (millions)



*Postpaid now over 40% of subscriber base compared to 36% in Q4 09*

## Blended MoU



*MoU levels sustained*

## FINANCIALS



# TT Consolidated - Summary P&L Statement

TL millions	2009	2010
<b>Revenues</b>	<b>10,568</b>	<b>10,852</b>
<b>EBITDA</b>	<b>4,356</b>	<b>4,835</b>
<i>Margin</i>	41%	45%
<b>Operating Profit</b>	<b>2,798</b>	<b>3,311</b>
<i>Margin</i>	26%	31%
<b>Financial Income/Expense, net</b>	<b>(438)</b>	<b>(184)</b>
FX & Hedging Gain/Loss, net	(237)	(87)
Interest Income/Expense, net	(64)	(29)
Other Financial Income/Expense, net	(137)	(68)
<b>Tax Expense</b>	<b>(680)</b>	<b>(799)</b>
<b>Net Income*</b>	<b>1,860</b>	<b>2,451</b>
<i>Margin</i>	18%	23%

**EBITDA margin sustained in low to mid 40s for the whole of 2010**

\* After minority interest

# TT Consolidated - Summary Balance Sheet

TL millions	2009	2010
Intangible Assets <sup>(a)</sup>	3,286	3,517
Tangible Assets <sup>(b)</sup>	6,920	7,435
Other Assets <sup>(c)</sup>	2,441	2,929
Cash and Equivalents	754	1,219
<b>Total Assets</b>	<b>13,401</b>	<b>15,100</b>
Share capital	3,260	3,260
Reserves and Retained Earnings	2,162	2,915
Interest Bearing Liabilities <sup>(d)</sup>	3,974	4,199
Provisions for Long-term Employee Benefits	634	607
Other Liabilities <sup>(e)</sup>	3,371	4,119
<b>Total Equity and Liabilities</b>	<b>13,401</b>	<b>15,100</b>

**Net Debt decreased by 7.5% YoY**

(a) Intangible assets excluding goodwill

(b) Tangible assets include property, plant and equipment and investment property.

(c) Major items within Other Assets are Trade Receivables, Due from Related Parties, Other Current Assets and Deferred Tax Asset.

(d) Includes short-term and long-term borrowing and short-term and long-term obligations under finance leases

(e) Major items within Other Liabilities are Deferred Tax Liability, Trade Payables, Provisions, Income Tax Payable, Due to Related Parties, Other Current Liabilities, Provisions for Employee Termination Benefits and Minority Put Option Liability

# TT Consolidated - Summary Cash Flow Statement

TL millions	2009	2010
<b>Cash Flow from Operating Activities</b>	<b>3,235</b>	<b>3,844</b>
<b>Cash Flow from Investing Activities</b>	<b>(2,079)</b>	<b>(1,761)</b>
<i>CAPEX</i>	(2,321)	(1,805)
<i>Other Investing Activities</i>	242	44
<b>Cash Flow from Financing Activities</b>	<b>(1,472)</b>	<b>(1,805)</b>
<i>Dividend</i>	(1,490)	(1,590)
<i>Other Financing Activities</i>	18	(215)
<b>Net Change in Cash Position <sup>(a)</sup></b>	<b>(316)</b>	<b>278</b>

- **Strong cash generation continues**
- **19% increase in operating cash flow**

(a) Blocked deposits are included in operating activities rather than net cash position.

# 2010 Dividend Distribution Proposal

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TL millions	2009	2010
<b>Net Distributable Profit</b>	<b>1,731</b>	<b>2,451</b>
First Legal Reserve	101	-
<b>First Dividend</b>	<b>353</b>	<b>494</b>
Second Legal Reserve	141	207
<b>Second Dividend</b>	<b>1,237</b>	<b>1,750</b>
<b>Total Dividend</b>	<b>1,590</b>	<b>2,244</b>
Payout Ratio	87%	91%

**Legal cap was reached in First Legal Reserve  
last year**

# TT Consolidated- Summary Revenue Breakdown

TL millions	2009	2010
Domestic PSTN	4,581	4,255
ADSL	2,140	2,473
GSM	2,504	2,646
Data service revenue	302	364
International interconnection revenue	194	229
Domestic interconnection revenue	244	283
Leased lines	579	486
Rental income from GSM operators	115	101
Other	108	179
Eliminations	(322)	(305)
<b>Sub-Total Revenue</b>	<b>10,445</b>	<b>10,711</b>
Construction Revenue (IFRIC 12)	123	141
<b>Total Revenue</b>	<b>10,568</b>	<b>10,852</b>

➤ **Fixed voice now stable for five quarters**

	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10
<b>Domestic PSTN Revenue</b>	<b>1,061</b>	<b>1,025</b>	<b>1,079</b>	<b>1,077</b>	<b>1,074</b>

# TT Consolidated - Summary OPEX Breakdown

TL millions	2009	2010
Personnel <sup>(a)</sup>	1,889	1,873
Domestic Interconnection	800	524
International Interconnection	149	158
Commercial <sup>(b)</sup>	773	987
Maintenance and Operations	384	336
Taxes & Government Fees	705	721
Doubtful Receivables	183	91
Others	1,220	1,202
<b>Sub-Total</b>	<b>6,103</b>	<b>5,892</b>
Construction Cost (IFRIC 12)	109	125
<b>Total OPEX</b>	<b>6,212</b>	<b>6,017</b>

- **MTR cut underpinned the decline in domestic interconnection**
- **New tariffs and campaigns resulted in higher commercial expenses**

(a) Please see reclassification and accounting policy change note in appendix

(b) Includes Commissions, Advertising & Marketing, Subscriber Acquisition & Retention Costs

# Fixed Line Business- Summary P&L Statement

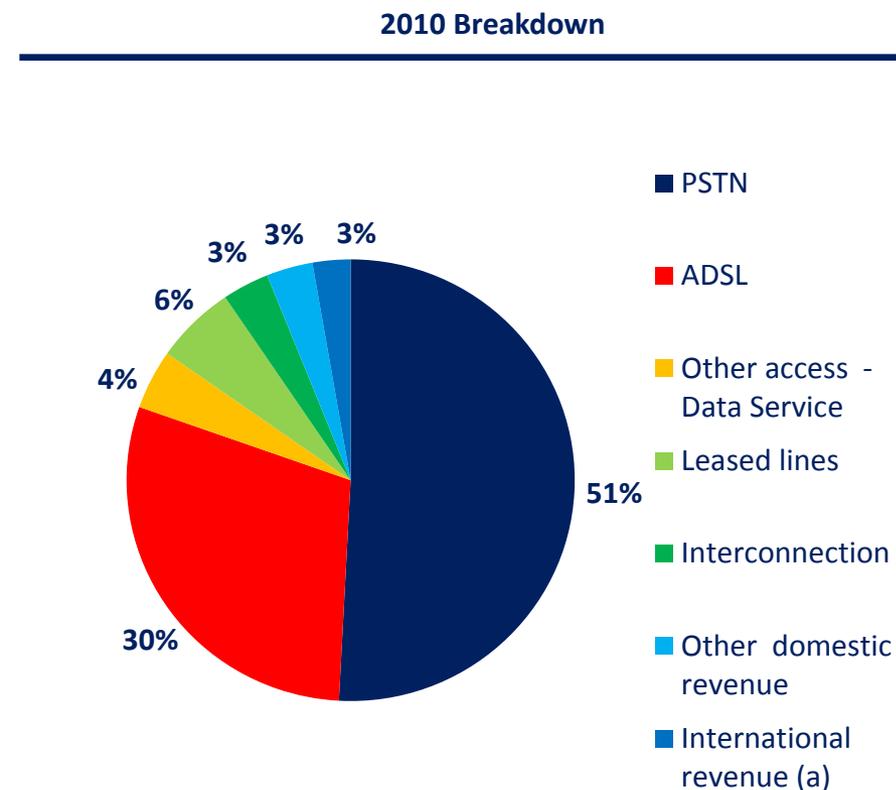
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TL millions	2009	2010
Revenues	8,386	8,511
EBITDA	4,302	4,507
<i>Margin</i>	51%	53%
Operating Profit	3,321	3,615
<i>Margin</i>	40%	42%
CAPEX	1,327	1,263
<i>CAPEX as % of Revenue</i>	16%	15%

**EBITDA margin maintained above 50%**

# Fixed Line Business- Summary Revenue Breakdown

TL millions	2009	2010
PSTN	4,581	4,255
ADSL	2,140	2,473
Other access - Data Service	302	364
Leased lines	579	486
Domestic Interconnection	244	283
Other domestic revenue	223	280
International revenue <sup>(a)</sup>	194	229
<b>Sub-Total Revenue</b>	<b>8,263</b>	<b>8,370</b>
Construction Revenue (IFRIC 12)	123	141
<b>Total Revenue</b>	<b>8,386</b>	<b>8,511</b>

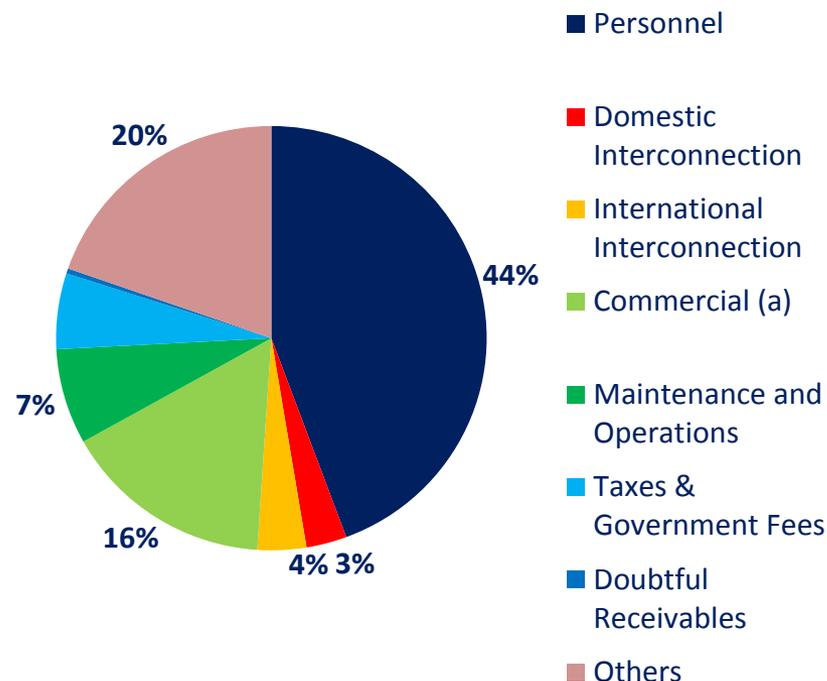


(a) Revenue from Pantel (Q4 2010) and revenue from international data services and inbound traffic terminated at Türk Telekom's international gateway.

# Fixed Line Business – Summary OPEX Breakdown

TL millions	2009	2010
Personnel	1,748	1,720
Domestic Interconnection	222	118
International Interconnection	129	142
Commercial (a)	460	615
Maintenance and Operations	332	282
Taxes & Government Fees	215	224
Doubtful Receivables	88	15
Others	781	763
<b>Sub-Total</b>	<b>3,975</b>	<b>3,879</b>
Construction Cost (IFRIC 12)	109	125
<b>Total OPEX</b>	<b>4,084</b>	<b>4,004</b>

2010 Breakdown



(a) Includes Commissions, Advertising & Marketing, Subscriber Acquisition & Retention Costs

# Mobile Business – Summary P&L Statement

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TL millions	2009	2010
Revenues	2,504	2,646
EBITDA	55	332
<i>Margin</i>	2%	13%
Operating Profit / (Loss)	(522)	(301)
<i>Margin</i>	(21%)	(11%)
CAPEX	1,155*	470
<i>CAPEX as % of Revenue</i>	46%	18%

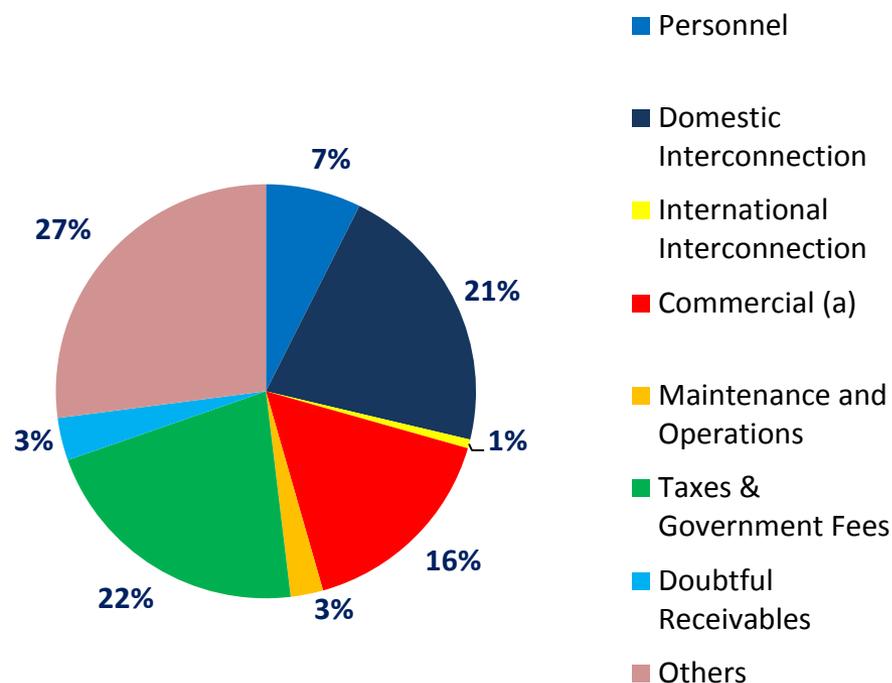
Operating loss reduced by 42%

\* Includes 3G License Fee

# Mobile Business – Summary OPEX Breakdown

TL millions	2009	2010
Personnel	152	170
Domestic Interconnection	692	495
International Interconnection	20	16
Commercial (a)	313	374
Maintenance and Operations	53	58
Taxes & Government Fees	490	497
Doubtful Receivables	94	77
Others	635	626
<b>Total</b>	<b>2,449</b>	<b>2,314</b>

2010 Breakdown



(a) Includes Commissions, Advertising & Marketing, Subscriber Acquisition & Retention Costs

# Debt Profile

2010 YE - in mn			Maturities			
Debt	Total Amount in Original Currency	Total Amount in TL	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years
TL Debt	670	670	667	3	0	0
USD Debt	1,238	1,914	184	502	1,145	84
EUR Debt	771	1,580	134	374	976	96
<b>TOTAL</b>		<b>4,164</b>	<b>985</b>	<b>878</b>	<b>2,121</b>	<b>180</b>

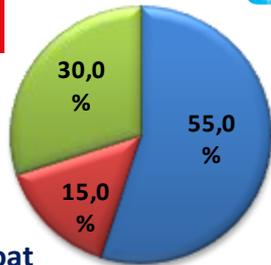
Ratios	2009	2010
Net Debt / EBITDA	0.74	0.62
Net Debt / Assets	0.24	0.20
Debt (Total Liabilities) / Equity	1.47	1.45
Debt (Financial) / Equity	0.73	0.68
Current Ratio	0.61	0.77

## APPENDIX



# Türk Telekom Group

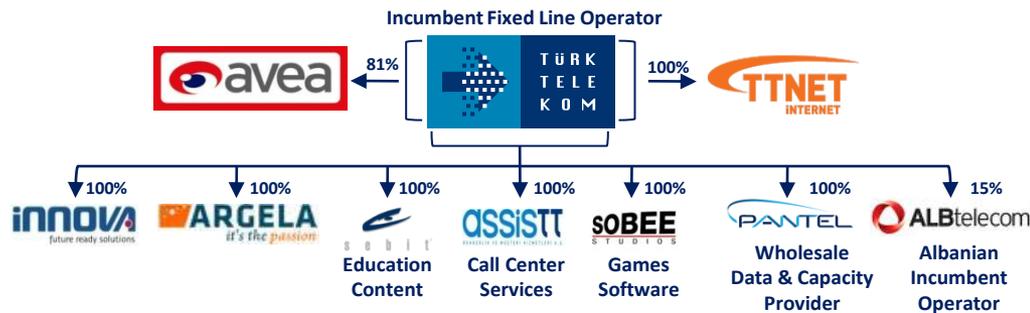
## Ownership Structure



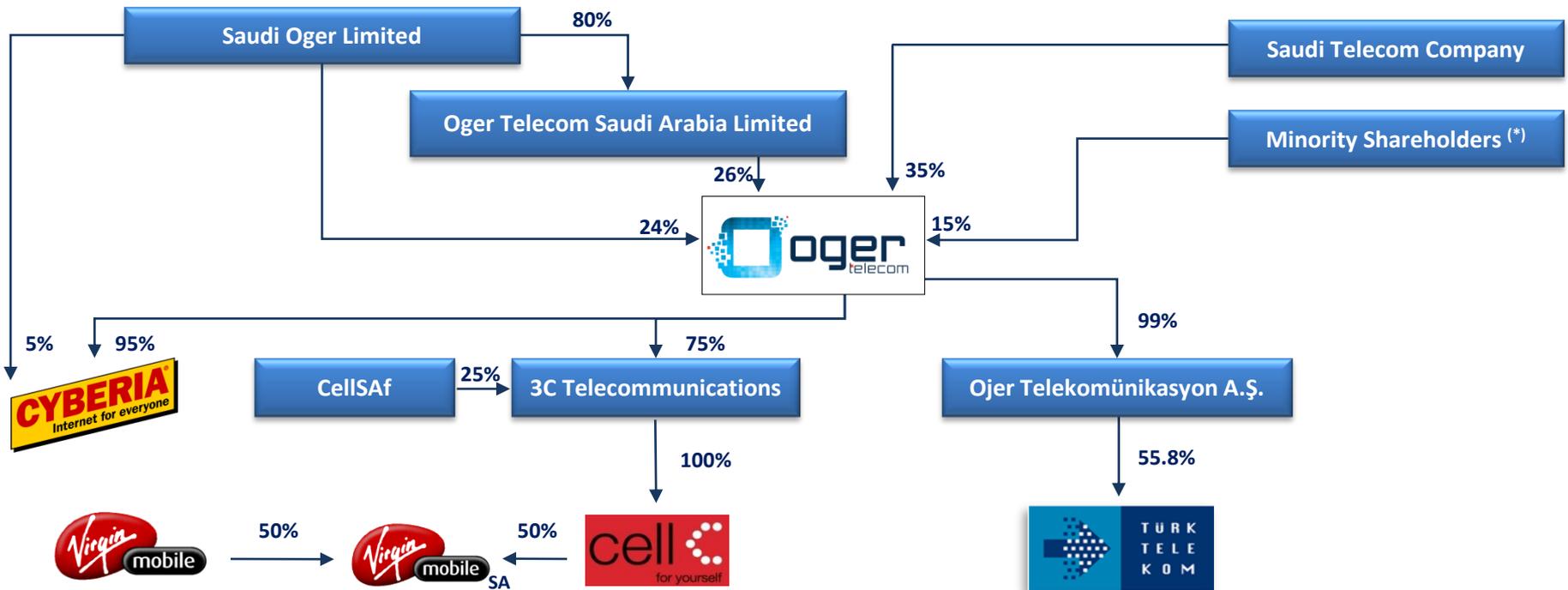
Free Float

- Oger Telecom appoints 6 Board Members
- Turkish Treasury appoints 4 Board Members (1 represents Golden Share)
- Turkish Treasury and Oger Telecom bought 1.7% and 0.8% additional stakes respectively, from free float.

## Group Companies



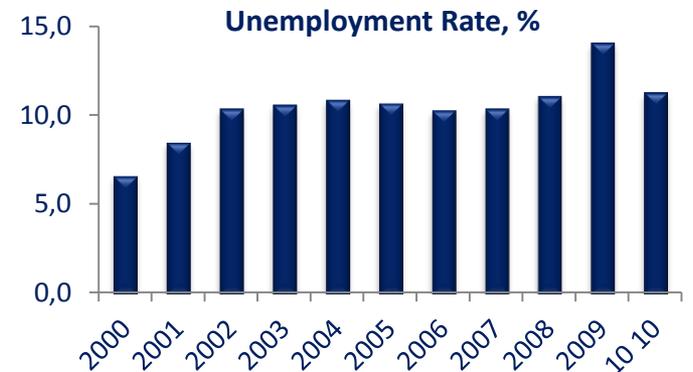
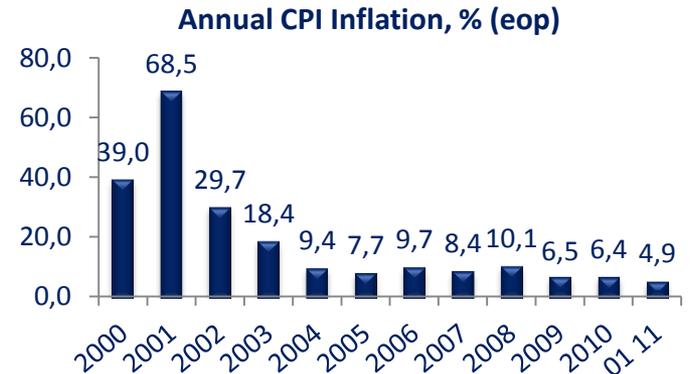
# Oger Telecom Ownership Structure



(\*) Among Oger Telecom's direct and indirect minority shareholders are regional and 'blue chip' global financial investors.

# Macro Highlights

- In late November 2010, Fitch revised Turkey's credit outlook from "stable" to "positive" while affirming the rating as "BB+".
- The annual GDP growth rate came in at 8.9% during the 9-month period of 2010. Renewed acceleration in the economic activity is expected for 4Q 2010.
- As of January, the annual CPI inflation registered as 4.9%. Inflation is projected to continue with its decline in the upcoming months mainly due to base effects.
- In its last two meetings in December 2010 and January 2011, the Central Bank lowered one week repo rate (the policy rate) by a total of 75 bps from 7.0% to 6.25%.
- Employment conditions continue to improve, yet the unemployment rate remains high (11.2% in October, down by 1.8 percentage points y/y).
- In 2010, the central government budget deficit (TL 39.6 bn) equaled 79% of the TL 50.2 bn year-end target, the while primary surplus (TL 8.7 bn) came in at 132% of the TL 6.6 bn target.
- As of November, the year-to-date current account deficit of US\$ 41.6 bn was recorded, up from US\$ 11.0 bn deficit a year ago, raising concerns on financial stability.



Source: TURKSTAT

## Reclassification & Accounting Policy Change Note

(TL millions)	2009	2009	Change
	After Reclassifications & Restatement	Before Reclassifications & Restatement	
Net Operating Expenses excluding Depreciation and Amortization	(6,212)	(6,319)	107
Operating Profit before Depreciation and Amortization (EBITDA)	4,356	4,249	107
Operating Profit	2,798	2,692	106
Net Financial Income/ (Expense)	(438)	(367)	(71)

➤ In Q1 2010, interest cost of severance expenses have been reclassified to severance pay interest cost under financial expenses from cost of sales, marketing, sales and distribution expenses and general administrative expenses.

➤ In Q4 2010, due to changes in accounting policies, actuarial gain/(losses) have been started to account in the consolidated statement of comprehensive income statement which was previously presented in consolidated income statement. Accordingly, due this accounting policy change financial statements as of 31 December 2009 and 2008 have been restated. Details are discussed in the footnote 2.2.



**Türk Telekom Investor Relations**

**[ir@turktelekom.com.tr](mailto:ir@turktelekom.com.tr)**

**[www.turktelekom.com.tr](http://www.turktelekom.com.tr)**

**+90 (212) 306 8080**